

GENERAL COUNSEL'S REPORT

February 25, 2015

A. Memorial Hospital Ooltewah Satellite Cancer Center with Linear Accelerator, Ooltewah (Hamilton County), TN — CN1202-004A

Request for a two year extension of the expiration date from July 1, 2015 to July 1, 2017. The project was originally approved on May 23, 2012 by unanimous vote for the development of a satellite cancer center to be operated under the hospital's license, and the partial relocation the hospital's linear accelerator (linac) service, including one of its three linear accelerators, to the satellite cancer center. The relocation of a linear accelerator would occur by decommissioning one of the units at the main campus and commissioning a replacement unit at the satellite cancer center. A CON was required because: (1) the estimated project cost for this modification to the licensed hospital exceeds \$5 million; (2) the initiation of linear accelerator services would occur at a location different from the hospital's main campus; and (3) a change in the location of a piece of major medical equipment would occur. The estimated project cost was \$10,216,658.00.

The project included new 8,773 SF of new construction and the acquisition of a new linac.

The applicant reported on a 7/8/13 annual project report that a contractor had not been identified but work continues to engage a third party development arrangement to accomplish constructing the proposed cancer center.

On the 6/25/14 annual project reported the CON had not been implemented due to ongoing campus planning.

BUTLER | SNOW

January 26, 2015

VIA HAND DELIVERY

Jim Christoffersen, Esq.
General Counsel
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Memorial Hospital Ooltewah Satellite Cancer Center with Linear Accelerator,
CN1202-004A

Dear Mr. Christoffersen:

The purpose of this letter is to request that the expiration date for the certificate of need referenced above be extended for two (2) years, to July 1, 2017. The explanation for this request is set forth below. We would appreciate this request being placed on the General Counsel's report for the meeting scheduled February 25, 2015.

Background

The Memorial Health Care System in Chattanooga is composed of various facilities and services including Memorial Hospital, a 336-bed hospital on de Sales Avenue in central Chattanooga; Memorial North Park Hospital, a 69-bed hospital in Hixson operated as satellite of Memorial Hospital; and an outpatient campus in Ooltewah operated as a department of Memorial Hospital. The outpatient campus in Ooltewah is being developed to provide additional services to one of the fast growing communities in the state. This growth in large part is driven by the presence of several large employers that continue to expand, such as Volkswagen and Amazon. Memorial's outpatient campus currently includes outpatient imaging, a women's health center and a medical office building.

On May 23, 2012, the Agency approved Memorial's application to initiate linear accelerator services at the Ooltewah campus. A condition on the application is that Memorial will take out of service one of its existing linear accelerators at the main campus, so the project is effectively a relocation of existing capacity rather than the addition of new capacity. This certificate of need application expires July 1, 2015.

Delay in Implementation

A combination of circumstances has prevented Memorial from undertaking and completing the project before the expiration date of the certificate of need. At the time the Agency approved the

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January 26, 2015

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linear accelerator for Ooltewah, Memorial was in the middle of implementing a massive renovation and expansion project at the main campus. This project has multiple, complex components and a total cost of almost \$300 million. It was approved in December of 2006 for a period of five (5) years; in March of 2011 the Agency approved a request to extend the expiration date to February 1, 2016. This project is on track and will be completed prior to February 1, 2016.

At the same time, Memorial has also been managing a significant project at its North Park facility approved under CN1104-011A in July of 2011. This project was for renovation and expansion with a total cost of about \$17.5 million. It was completed before the certificate of need expiration date of September 1, 2014.

Extension Request

The resources and management attention required to implement the projects at the main campus and the North Park Hospital have impeded the ability of Memorial to proceed timely with the linear accelerator project in Ooltewah. Memorial requests that the expiration date for the certificate of need be extended until July 1, 2017, which should provide more than adequate time within which to complete the project.

In support of its requested extension, Memorial submits the following points:

- The site for the project has been purchased, and Memorial remains fully committed to implementation of the project.
- Memorial has an established record of successfully implementing certificate of need projects, as evidenced by the two (2) projects described above.
- The need for this project remains and in fact continues to grow. For example, Volkswagen announced in July of last year significant expansion of its plant in Ooltewah, which will further propel population growth in the area.

In connection with this request, a check for the filing fee in the amount of \$15,275 (66.6% of the original filing fee) is enclosed. Please let me know if you have any questions or need additional information.

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw

Enclosure

cc: Sandra Curtis

Janice Dyer

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1202-004A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Memorial Health Care System
2525 de Sales Avenue
Chattanooga, TN 37404

For: Memorial Hospital Ooltewah Satellite Cancer Center with Linear Accelerator

This Certificate is issued for: Memorial Hospital to establish of a satellite hospital service to be called Memorial Ooltewah Satellite Cancer Center. The project includes the relocation, replacement and upgrade of a linear accelerator (LA) for the purpose of providing radiation therapy.* The project involves new construction of 8,773 GSF and acquisition of a multifunctional LA.

* Memorial Hospital will decommission (1) linear accelerator at the main campus.

On the premises located at: Unaddressed site adjacent to 6400 Mountain View Road
Ooltewah (Hamilton County), TN 37363

For an estimated project cost of: \$10,216,658.00

The Expiration Date for this Certificate of Need is

July 1, 2015

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: May 23, 2012


Chairman

Date Issued: June 27, 2012


Executive Director